

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 774 - HB 1106

February 9, 2019

SUMMARY OF BILL: Prohibits health insurance issuers from imposing preexisting condition exclusions on insureds in Medicare supplement policies, health benefit plans covering small employers, a health group cooperative of small employers, converted policies, group health plans, health maintenance organizations (HMOs), individual health insurance policies, long-term care insurance policies, and pre-existing exclusions related to pregnancy and maternity benefits coverage. Prohibits denying coverage of an adopted child for a preexisting condition. This Act applies to policies and contracts that are entered into, renewed, amended, or delivered on or after July 1, 2020.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Other Fiscal Impact – An increase in premiums for Medicare Supplement and Long-term Care plans will result in an increase in premium tax revenue. The amounts and timing of any increased revenue cannot be reasonably quantified.

Potential Impact on Health Insurance Premiums (required by Tenn. Code Ann. § 3-2-111): The proposed legislation could result in an increase in the cost of health insurance premiums for Medicare Supplement and Long-Term Care insurance consumers. Any increase as a result of the proposed legislation cannot be quantified due to the multiple factors equated to insurance premiums and could vary greatly within each individual plan.

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-42-105, the Commissioner of the Department of Commerce and Insurance (TDCI) has the authority to adopt regulations that include standards for full and fair disclosure, setting forth the manner, content and required disclosures for the sale of long-term care insurance policies, terms of renewability, initial and subsequent conditions of eligibility, non-duplication of coverage provisions, coverage of dependents, preexisting conditions, termination of insurance, continuation or conversion, probationary periods, limitations, exceptions, reductions, elimination periods, requirements for replacement, recurrent conditions and definitions of terms. The section also defines preexisting condition.

- Based on information provided by the TDCI, the provisions of the proposed legislation will create a larger workload for policy reviewers and consulting actuaries who review rates and forms; however, TDCI can absorb any cost within existing resources without an increased appropriation or reduced reversion.
- Based on information provided by the Department of Finance and Administration, Divisions of Health Care Finance and Administration and Benefits Administration, the Insurance Committee’s plan documents reflect the federal requirement; therefore, any fiscal impact on state-sponsored plans is estimated to be not significant.
- Based on information provided by the Division of TennCare, the proposed legislation does not expand coverage; therefore, any fiscal impact is estimated to be not significant.
- The proposed legislation removes “preexisting conditions” from the Commissioner’s authority and deletes the definition in the code. It is estimated this change will result in an increase in premiums for Long-Term Care policies.
- Medicare supplement policies cover some of the costs not paid for by Medicare Part A and B. Federal law specifies certain criteria pertaining to preexisting conditions for Medicare supplement policies in 42 U.S.C. 1395ss(s).
- The proposed legislation removes the provision in Tenn. Code Ann. § 56-7-1503(b) that states a Medicare supplement policy or certificate will not exclude or limit benefits for losses incurred more than six months from the effective date of coverage because it involved a preexisting condition and requires that a policy or certificate will not define a preexisting condition more restrictively than a condition for which medical advice was given or treatment was recommended by or received from a physician within six months before the effective date of coverage.
- Any increase in premium prices to consumers will result in an increase in premium tax revenues realized by the state. Any potential revenue increase and timing of such increase cannot be reasonably determined with any certainty.
- Potential Impact on Health Insurance Premiums pursuant to Tenn. Code Ann. § 3-2-111: The proposed legislation could result in an increase in the cost of health insurance premiums for Medicare Supplement and Long-Term Care insurance consumers. It is unknown how this will change current plans and policies offered and also the current number of plans offered to individuals and through employers. The premiums paid by for these types of plans vary greatly. Any increase as a result of the proposed legislation cannot be quantified due to the multiple factors equated to insurance premiums and could vary greatly within each individual plan.

IMPACT TO COMMERCE:

Other Commerce Impact – Any increase in costs incurred by insurance providers will result in an equal or greater increase to insurance premiums paid by enrollees in the insurance providers’ plans. Therefore, any net impact to commerce is considered not significant. Any impact to the number of jobs in Tennessee is estimated to be not significant.

Assumptions:

- According to 42 U.S.C. 18001(d), an individual with a pre-existing condition is deemed to be an eligible individual for immediate access to insurance.
- According to 42 U.S.C. § 1395ss(s)(2)(B), a Medicare supplement policy can exclude benefits under a policy, during its first six months, based on a preexisting condition for which the policyholder received treatment or was otherwise diagnosed during the six months before the policy became effective.
- Any increase to costs incurred by insurance providers to not exclude preexisting conditions in policies will result in increased premiums paid by the enrollees to cover the costs incurred by the insurance companies including increased taxes paid by the insurance providers. While the exact amounts cannot be determined, the net impact to commerce is considered not significant.
- The proposed legislation will not have a significant impact on jobs in the state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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